

Answers

Question 1

- (i) (d)
- (ii) (c)
- (iii) (a)
- (iv) (a)
- (v) (d)
- (vi) (c)
- (vii) Valuation Account is an account that is used in combination with other account of a Balance Sheet to show the amount of an asset at its net value. For example, Provision for Doubtful Debts is Valuation Account since it is used with Sundry Debtors Account.
- (viii) Depreciation is charged on fixed tangible assets whereas *amortisation* is writing off intangible assets. Hence, depreciation differs from amortisation.
- (ix) **True:** When the acceptor of a bill of exchange fails to make the payment on the due date, a new bill of exchange may be drawn on him after cancellation of the old bill of exchange. This is known as renewal of a bill of exchange.
- (x) Error which affects the matching of Trial Balance is called *one-sided error*. One-sided error affects one side of an account only. Every one-sided error is rectified by passing a Journal entry through the Suspense Account, *e.g.*, Sales Book was undercast by ₹ 2,000.

Suspense A/c	...Dr.	₹ 2,000	
To Sales A/c			₹ 2,000

(Being the error in Sales Book totalling, now rectified)
- (xi) (a) Manager's Commission = ₹ 10,500 × $\frac{5}{105}$ = ₹ 500

(b) Manager's Commission A/c	...Dr.	₹ 500	
To Manager's Commission Payable A/c			₹ 500

(Being the Manager's Commission provided)
- (xii) Provision is an expense or loss accounted by estimating the amounts.
- (xiii) Credit Notes issued to the customers or Debit Notes issued by the customers.
- (xiv) Readymade Software is a software that is developed not for any specific user but for the users in general.
- (xv) Cash Account.

Reason: Cash Book with Discount column serves the purpose of Cash Account.

Question 2

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Charity A/c ...Dr. To Purchases A/c (Being the goods given as charity)		1,000	1,000
(ii)	Cash A/c ...Dr. Discount Allowed A/c ...Dr. To Rattan (Being the cash received from Rattan and discount allowed)		1,950 50	2,000
(iii)	Cash A/c ...Dr. Bad Debts A/c ...Dr. To Mahesh's A/c (Being 60% of the amount due from Mahesh received and 40% written-off as being irrecoverable)		1,200 800	2,000

Or

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Cash A/c ...Dr. To Bad Debts Recovered A/c (Being a bad debt written-off last year, now recovered)		500	500
(ii)	Rent A/c ...Dr. To Outstanding Rent A/c (Being the rent due to landlord)		3,500	3,500
(iii)	Depreciation A/c ...Dr. To Furniture A/c (Being the depreciation provided on furniture)		2,000	2,000

Question 3

Dr.						AN EXTRACT OF THREE COLUMN CASH BOOK						Cr.	
Date	Particulars	L.F.	Discount Allowed	Cash	Bank	Date	Particulars	L.F.	Discount Received	Cash	Bank		
			₹	₹	₹				₹	₹	₹		
2023						2023							
April 1	To Cash A/c	C		...	6,000	April 1	By Bank A/c	C		6,000	...		
April 5	To Bank A/c	C		3,000	...	April 2	By Drawings A/c			2,000	...		
						April 5	By Cash A/c	C			3,000		

Or

Dr. AN EXTRACT OF THREE COLUMN CASH BOOK Cr.

Date	Particulars	L.F.	Discount Allowed ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount Received ₹	Cash ₹	Bank ₹
2023						2023					
April 2	To Bill Receivable A/c		4,950	April 1	By Machinery A/c			...	10,000
						April 1	By Draft Commission A/c			...	100
						April 5	By Bills Payable A/c				8,000

Note: Discounting charges of ₹ 50 will be recorded through entry in the Journal.

Discounting Charges A/c ...Dr. ₹ 50
To Bill Receivable A/c ₹ 50

Question 4

SALES BOOK OF GARIMA TRADERS

Date	Particulars	Invoice No.	L.F.	Detail ₹	Sale Value ₹	Output CGST ₹	Output SGST ₹	Output IGST ₹	Total ₹
2023									
April 1	M/s Vishal Furniture House, Delhi 100 chairs @ ₹ 1,500 per chair 40 tables @ ₹ 2,000 per table Less: Trade Discount @ 5% Add: IGST @ 12%			1,50,000 80,000 2,30,000 11,500 2,18,500 26,220 2,44,720	2,18,500	26,220	2,44,720
April 10	M/s Mayank & Sons, Kolkata 150 desks @ ₹ 1,000 per desk 160 chairs @ ₹ 1,500 per chair Less: Trade Discount @ 5% Add: CGST @ 6% SGST @ 6%			1,50,000 2,40,000 3,90,000 19,500 3,70,500 22,230 22,230 4,14,960	3,70,500	22,230	22,230	...	4,14,960
April 30	Total				5,89,000	22,230	22,230	26,220	6,59,680

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	M/s. Vishal Furniture House, Delhi ...Dr.		2,44,720	
	M/s. Mayank & Sons, Kolkata ...Dr.		4,14,960	
	To Sales A/c			5,89,000
	To Output CGST A/c			22,230
	To Output SGST A/c			22,230
	To Output IGST A/c			26,220
	(Being the sales for the month of April recorded)			

Question 5

SALES RETURN BOOK OF VIJAY & CO.

Date	Particulars	Credit Note No.	L.F.	Details (₹)	Amount (₹)
2023 April 5	Shiv & Co. Rohtak: 2 Polyester Sarees @ ₹ 1,250 each Less: Trade Discount @ 10%			2,500 250	2,250
April 21	Dhanpat & Co. Hissar: 2 Silk Sarees @ ₹ 3,250 each Less: Trade Discount @ 20%			6,500 1,300	5,200
April 30	Total				7,450

Note: Return of Kota Sarees will be recorded in the Cash Book since in the Sales Return Book only the return of goods sold on credit are recorded.

Ledger of Vijay & Co.

Dr.				SHIV & CO., ROHTAK				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
				2023 April 5	By Sales Return A/c		2,250		

Dr.				DHANPAT & CO., HISSAR				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
				2023 April 21	By Sales Return A/c		5,200		

Dr.				SALES RETURN ACCOUNT				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
2023 April 17	To Cash A/c		10,000						
April 30	To Sundries as per Sales Return Book		7,450						

Question 6

AMOUNT TO BE SHOWN AGAINST STATIONERY IN INCOME AND EXPENDITURE ACCOUNT

Particulars	₹
Amount paid for stationery during 2022-23	20,000
Add: Stock of Stationery on 1st April, 2022	4,000
Creditors for stationery on 31st March, 2023	5,000
	29,000
Less: Stock of Stationery on 31st March, 2023	3,000
Creditors for stationery on 1st April, 2022	4,500
Amount to be shown against stationery in Income and Expenditure A/c	21,500

Question 7

BANK RECONCILIATION STATEMENT as on 31st March, 2023

Particulars	Amount Details (₹)	Amount ₹
Overdraft Balance as per Pass Book (Dr.)		40,000
<i>Add:</i> Cheques issued but not yet presented for payment		14,000
		54,000
<i>Less:</i> Interest on overdraft charged by the bank but not recorded in the Cash Book	1,000	
Cheque sent for collection but not yet collected by bank	15,000	
Insurance premium paid by bank, not recorded	5,000	
Fee of Chamber of Commerce paid by the bank but not recorded in Cash Book	1,500	
Bank charges charged by bank but not recorded in Cash Book	500	
Discounted bill dishonoured but not recorded in the Cash Book	2,500	25,500
Overdraft Balance as per Cash Book (Cr.)		28,500

Or

BANK RECONCILIATION STATEMENT as on 31st March, 2023

Particulars	Amount Details (₹)	Amount ₹
Balance as per Cash Book (Dr.)		9,030
<i>Add:</i> Cheques issued but not yet presented for payment	8,750	
Direct payment by customers into Bank	3,500	12,250
		21,280
<i>Less:</i> Cheques deposited with bank but not collected	30,500	
Cheques recorded in the Cash Book but not sent to the bank for collection	2,000	
Bank Charges	200	
Premium paid by the bank	1,980	
Dishonour of bill including noting charges (Note)	3,100	37,780
Overdraft Balance as per Bank Pass Book (Dr.)		16,500

Note: Though the bill was discounted for ₹ 2,850, at the time of dishonour, the bank will debit Customer's Account for the full value of bill (including Noting Charges), i.e., ₹ 3,100.

Question 8

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Sales A/c ...Dr. To Suspense A/c (Being the Sales Book was overcasted by ₹ 3,000 now rectified)		3,000	3,000
(ii)	Furniture A/c ...Dr. To Purchases A/c (Being the purchase of furniture passed through Purchase Book, now rectified)		6,150	6,150
(iii)	Yograj ...Dr. To Suspense A/c (Being an amount of ₹ 550 received from Yograj was wrongly posted to his account ₹ 5,500, now rectified)		4,950	4,950

(iv)	Purchases Return A/c To Suspense A/c (Being the total of purchase return book was carried forward as ₹ 2,210 in place of ₹ 1,120, now rectified)	...Dr.	1,090	1,090
(v)	Suspense A/c To Sales A/c (Being the Cash Book of ₹ 12,350 wrongly posted in the Sales Account as ₹ 2,350, now rectified)	...Dr.	10,000	10,000

Dr. SUSPENSE ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Sales A/c	10,000	By Balance b/d	960
		By Sales A/c	3,000
		By Yograj Singh	4,950
		By Purchase Return A/c	1,090
	10,000		10,000

Question 9

In the Books of Gautam & Co.

Dr. MACHINERY ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2020				2021			
April 1	To Bank A/c		1,50,000	March 31	By Balance c/d		2,00,000
Oct. 1	To Bank A/c		50,000				
			2,00,000				2,00,000
2021				2022			
April 1	To Balance b/d		2,00,000	March 31	By Balance c/d		2,00,000
2022				2022			
April 1	To Balance b/d		2,00,000	Sept. 30	By Machinery Disposal A/c (Original Cost)		50,000
				2023			
				March 31	By Balance c/d		1,50,000
			2,00,000				2,00,000

Dr. ACCUMULATED DEPRECIATION ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
March 31	To Balance c/d		17,500	March 31	By Depreciation A/c		17,500
2022				2021			
March 31	To Balance c/d		37,500	April 1	By Balance b/d		17,500
				2022			
				March 31	By Depreciation A/c		20,000
			37,500				37,500

2022				2022			
Sept. 30	To Machinery Disposal A/c		10,000	April 1	By Balance b/d		37,500
2023				Sept. 30	By Depreciation A/c (WN 1)		2,500
March 31	To Balance c/d		45,000	2023			
				March 31	By Depreciation A/c (WN 2)		15,000
			55,000				55,000

Dr.				MACHINERY DISPOSAL ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2022				2022							
Sept. 30	To Machinery A/c (Original Cost)		50,000	Sept. 30	By Accumulated Depreciation A/c		10,000				
					By Bank A/c (Sale)		30,000				
					By Loss on Sale of Machinery (Profit & Loss A/c)		10,000				
			50,000				50,000				

Working Note:

	₹	₹	Total (₹)
Purchase Cost	1,50,000	50,000	2,00,000
Date of Purchase	1.4.2020	1.9.2020	
Depreciation for 2020–21 @ 10% p.a.	15,000	2,500*	17,500
Depreciation for 2021–22 @ 10% p.a.	15,000	5,000	20,000
Accumulated Depreciation upto 31st March, 2022	30,000	7,500	37,500
Depreciation for 2022–23	15,000	2,500	17,500

*For six months.

Question 10

Charitable Trust

AN EXTRACT OF INCOME & EXPENDITURE ACCOUNT
for the year ended 31st March, 2023

Dr.		Cr.	
Expenditure	₹	Income	₹
To Medicines Consumed (Note)	11,500		

AN EXTRACT OF BALANCE SHEET
as at 31st March, 2023

Liabilities	₹	Assets	₹
Creditors for Medicines	1,300	Advance for Medicines	1,300
		Stock of Medicines	500

Note:

STATEMENT SHOWING MEDICINES CONSUMED DURING THE YEAR
ended 31st March, 2023

Particulars		₹
Amount paid for Medicines during the year ended 31st March, 2023		10,800
Add: Stock of Medicines on 1st April, 2022	3,000	
Advance paid for Medicines carried from previous year	200	
Creditors for Medicines on 31st March, 2023	1,300	4,500
		<hr/> 15,300
Less: Stock of Medicines on 31st March, 2023	500	
Advance paid for Medicines on 31st March, 2023	1,300	
Creditors for Medicines on 1st April, 2022	2,000	3,800
		<hr/> 3,800
Medicines consumed during the year ended 31st March, 2023		<hr/> 11,500 <hr/>

Or

Dr. CASH BOOK				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023				2023			
April 1	To Balance b/d		70,000	April 4	By Bank A/c	C	30,000
April 3	To Tiger		60,000	April 6	By Wages A/c		15,000
April 5	To Commission Received A/c		6,000	April 11	By Drawings A/c		10,000
April 7	To Bank A/c	C	7,000	April 12	By Furniture A/c		4,000
April 8	To Sales A/c		20,000	April 13	By Anurag		8,000
				April 15	By Drawings A/c		2,000
				April 30	By Balance c/d		94,000
			<hr/> 1,63,000				<hr/> 1,63,000
2023							
May 1	To Balance b/d		94,000				

Dr. TIGER'S ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2023			
				April 3	By Cash A/c		60,000

Dr. BANK ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023				2023			
April 4	To Cash A/c		30,000	April 7	By Cash A/c		7,000

Dr. COMMISSION RECEIVED ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2023			
				April 5	By Cash A/c		6,000

Dr. SALES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2023 April 8	By Cash A/c		20,000

Dr. WAGES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023 April 6	To Cash A/c		15,000				

Dr. DRAWINGS ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023 April 11	To Cash A/c		10,000				
April 15	To Cash A/c		2,000				

Dr. FURNITURE ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023 April 12	To Cash A/c		4,000				

Dr. ANURAG'S ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2023 April 13	To Cash A/c		8,000				

Question 11

- (i) Profit on Sale of truck ₹ 10,000 is a **Capital Profit**.
- (ii) ₹ 5,50,000 received from the proprietor as capital is **Capital Receipt**.
- (iii) Cost of Land ₹ 2,50,000 (₹ 2,00,000 + ₹ 50,000) is **Capital Expenditure**.
- (iv) It is a **Revenue Expenditure** since it does not bring benefit of enduring nature.
- (v) Repairs to building of ₹ 60,000 is a **Revenue Expenditure**.
- (vi) It is a **Capital Expenditure** since it is incurred to make the machine ready for use.

Question 12

Dr. TRADING AND PROFIT & LOSS ACCOUNT for the year ended 31st March, 2023 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	2,67,250	By Sales	25,24,000
To Purchases	16,25,050	By Closing Stock (Note)	1,25,500
To Wages	2,31,370		
To Power and Fuel	13,500		
To Gross Profit <i>c/d</i>	5,12,330		
	<u>26,49,500</u>		<u>26,49,500</u>
To Salaries	55,750	By Gross Profit <i>b/d</i>	5,12,330
To Courier Charges	42,260	By Provision for Doubtful Debts:	
To General Expenses	58,310	Existing	52,000
To Depreciation on Furniture	7,250	Less: Bad Debts (₹ 5,250 + ₹ 5,000)	10,250
To Net Profit transferred to Capital Account	3,66,660		41,750
		Less: Provision for Doubtful Debts	24,850
		By Interest on Loan	1,000
		(₹ 30,000 × 10/100 × 4/12)	
	<u>5,30,230</u>		<u>5,30,230</u>

BALANCE SHEET as at 31st March, 2023

Liabilities	₹	Assets	₹
Capital		Fixed Assets	
Opening Balance	1,00,000	Furniture	72,500
Less: Drawings	44,520	Less: Depreciation	7,250
	<u>55,480</u>		65,250
Add: Net Profit	3,66,660	Current Assets	
	4,22,140	Cash at Bank	1,00,000
Current Liabilities		Closing Stock	1,25,500
Outstanding Wages	40,000	Sundry Debtors	5,02,000
Outstanding General Expenses	7,000	Less: Bad Debts	5,000
Sundry Creditors	3,05,260		4,97,000
Bills Payable	39,500	Less: Provision for Doubtful Debts	24,850
		Loan to Suraj	30,000
		Add: Interest on Loan (Outstanding)	1,000
		Input CGST (₹ 30,000 – ₹ 20,000)	10,000
		Input SGST (₹ 30,000 – ₹ 20,000)	10,000
	<u>8,13,900</u>		<u>8,13,900</u>

Note: As per prudence concept, closing stock is valued at cost or net realisable value (market value), whichever is less. Therefore, closing stock is taken as ₹ 1,25,500.

Or

A. In the Books of Shivam
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023	Entries in all cases:			
April 1	Rahul ...Dr. To Sales A/c (Being the goods sold on credit)		45,000	45,000
	Bills Receivable A/c ...Dr. To Rahul (Being the bill drawn and accepted by Rahul)		45,000	45,000
	Additional entry in case (i): Cash or Bank A/c ...Dr. To Bills Receivable A/c (Being the bill realised on due date)		45,000	45,000
	Additional entry in case (ii): Bank A/c ...Dr. Discounting Charges A/c ...Dr. To Bills Receivable A/c (Being the bill discounted with Bank for ₹ 43,800)		43,800 1,200	45,000
	Additional entry in case (iii): Mehtab & Co. ...Dr. To Bills Receivable A/c To Discount Received A/c (Being the bill endorsed in favour of creditor Mehtab & Co. in settlement of their debt)		45,200	45,000 200
	Additional entries in case (iv): (a) When the bill is sent for collection: Bills Sent for Collection A/c ...Dr. To Bills Receivable A/c (Being the bill sent for collection)		45,000	45,000
	(b) When bill is Collected: Bank A/c ...Dr. To Bills Sent for Collection A/c (Being the bill collected at maturity)		45,000	45,000

B. STATEMENT OF AFFAIRS
as at 31st March, 2022

Liabilities	₹	Assets	₹
Sundry Creditors	15,000	Cash	1,000
Capital (Balancing Figure)	1,19,000	Sundry Debtors	39,000
		Stock	34,000
		Plant and Machinery	60,000
	1,34,000		1,34,000

STATEMENT OF AFFAIRS as at 31st March, 2023

Liabilities	₹	Assets	₹
Sundry Creditors	14,900	Cash	900
Bills Payable	5,000	Sundry Debtors	45,000
Capital (Balancing Figure)	1,38,000	Stock	32,000
		Plant and Machinery	80,000
	1,57,900		1,57,900

STATEMENT OF PROFIT & LOSS for the year ended 31st March, 2023

Particulars	₹
Capital as on 31st March, 2023	1,38,000
Add: Drawings during 2022-23 (₹ 3,000 × 12)	36,000
	1,74,000
Less: Additional Capital introduced during the year	10,000
Adjusted capital as on 31st March, 2023	1,64,000
Less: Capital as on 31st March, 2022	1,19,000
Net Profit earned during 2022-23	45,000

Question 13

Dr. Cr.
INCOME & EXPENDITURE ACCOUNT for the year ended 31st March, 2023

Expenditure	₹	Income	₹
To Catering Charges (₹ 1,27,000 – ₹ 35,000)	92,000	By Subscriptions (60 × ₹ 2,000)	1,20,000
To Band Fees	16,000	By Locker Rent	25,000
To Repairs to Nets	6,000	By Dance Receipts	1,45,000
To Purchase of New Balls:		By Sale of Old Balls	12,000
Payment	50,000	By Donations	10,000
Add: Owing for Tennis Balls	5,000		
	55,000		
To Match Expenses	8,000		
To Taxes on Club House	24,000		
Less: Prepaid Taxes	6,000		
	18,000		
To Depreciation on Equipment	14,400		
To Surplus (i.e., Excess of Income over Expenditure)	1,02,600		
	3,12,000		3,12,000

BALANCE SHEET as at 31st March, 2023

Liabilities	₹	Assets	₹
Capital Fund:		Freehold Club House	2,50,000
As on 1st April, 2022 (WN 1)	4,49,600	Equipment	1,35,000
Add: Surplus for the year	1,02,600	Add: Purchases	9,000
Creditors for Tennis Balls	5,000		1,44,000
		Less: Depreciation	14,400
		Cash in Hand	1,00,000
		Cash at Bank	61,600
		Subscriptions in Arrears (WN 2)	10,000
		Prepaid Taxes	6,000
	5,57,200		5,57,200

Working Notes:

1. Calculation of Opening Capital Fund:

BALANCE SHEET as at 1st April, 2022

Liabilities	₹	Assets	₹
Amount due to Caterers	35,000	Cash in Hand	2,600
Capital Fund (Balancing Figure)	4,49,600	Cash at Bank	90,000
		Outstanding Subscription	7,000
		Freehold Club House	2,50,000
		Equipment	1,35,000
	4,84,600		4,84,600

2. Outstanding Subscription as on 31st March, 2023:

	₹
Subscription receivable (60 × ₹ 2,000)	= 1,20,000
Less: Received during the year for the year ended 31st March, 2023	= 1,10,000
Outstanding Subscription	= 10,000

Or

Dr. INCOME & EXPENDITURE ACCOUNT for the year ended 31st March, 2023 Cr.

Expenditure	₹	Income	₹
To Expenses	20,000	By Subscriptions (60 × ₹ 2,000)	21,000
To Interest	4,000	Add: Subscription Received	
To Miscellaneous Expenses	4,700	in Advance (Last Years)	6,000
To Surplus (i.e., Excess of Income over Expenditure)	12,900	By Locker Rent	7,000
		Less: Outstanding Rent (Last Years)	2,400
		By Sale of Old Newspapers	1,000
		By Miscellaneous Income	9,000
	41,600		41,600

BALANCE SHEET as at 31st March, 2023

Liabilities	₹	Assets	₹
Capital Fund:		Land & Building (₹ 1,50,000 + ₹ 40,000)	1,90,000
Opening Balance	1,06,200	Outstanding Subscription	1,800
Add: Entrance Fee	38,000	(2021-22): (₹ 3,800 – ₹ 2,000)	
Surplus	12,900	Cash in Hand	18,300
Loan	40,000		
Creditors	10,000		
Outstanding Expenses (₹ 14,000 – ₹ 12,000)	2,000		
Subscription Received in Advance	1,000		
	2,10,100		2,10,100